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HUMAN RESOURCE DEVELOPMENT - A KEY TO SUCCESS

Human resource development is the process of increasing the knowledge, skills, and capacities of all the people in a society. In economic terms, it can be described as the accumulation of human capital and its effective investment in the development of an economy. In political terms, human resource development prepares people for adult participation in political processes, particularly as citizens in a democracy. From the social and cultural points of view, the development of human resources helps people to lead fuller and richer lives, less bound by tradition. In short, the processes of human resource development unlock the door to modernization.

Emerging Trends and Influences

The reason for the increased importance of HRD in achieving socioeconomic development lies largely in the emergence of "knowledge work," technological advances and the demand for information, and globalization.

The skills of a nation's workforce and the quality of its infrastructure are what make it unique, and uniquely attractive, in the world economy. Investments in these relatively immobile factors of worldwide production are what chiefly distinguish one nation from another; money, by contrast, moves easily around the world. A workforce that is knowledgeable and skilled at doing complex things, and which can easily transport the fruits of its labors into the global economy, will entice global money to it.

An appreciable part of the workforce of highly industrialized countries consists of "knowledge workers." Even if not accounting for the majority of the workforce, they are vital because it is the application of knowledge which determines the productivity of their societies. The importance of knowledge work is reflected in the fact that in the rich economies more than half of the total GDP is knowledge-based, and 80 percent of new jobs involve knowledge work. However, as yet there are only a few Asian countries with an appreciable number of knowledge workers. Creating the right environment for the emergence of such workers will be an important consideration in Asia in the next century. Many of the rich economies in Asia are reviewing their education systems with a view to making the changes needed to produce creative individuals who will increasingly add value to the economy. An individual's competitiveness in the job market, as well as the competitiveness of enterprises and industries, will depend more and more on the acquisition and application of knowledge.

Technology, Information and Globalization

Technology, including the information revolution and

globalization, continue to exert major effects on HRD. Many enterprises have claimed that the benefits of technology have not matched the cost of investment in it. The reason for this in most cases is that technology has not been used productively or usefully. Technology *per se* is not productive, and does not add value unless there are people who can use it productively. Total factor productivity in the major economies is estimated to have declined since the mid 1970s, and growth has been explained in terms of labor and capital inputs, with the contribution by technology being considered relatively minor.

Implications for Employers

The issue for employers (and for employees and economies) goes beyond the need to upgrade the skills of the current workforce. It is also necessary to equip future entrants to the workforce with the requisite education which makes them "trainable" for emerging and constantly changing skills requirements. Improvements have to be equally qualitative as well. Employees need to be endowed with the capacity to move from one skill to another as each one becomes obsolete, and to develop the cognitive, analytical and interpersonal skills required to work in a modern organization and as the economy progresses from one level of development to another.

Four situations are discernible among developing countries in Asia. The first consists of countries with high adult illiteracy rates (especially among women). The countries with over 40 percent adult illiteracy rates (as of 1995) are: Nepal 73 percent, Bangladesh 62 percent, Pakistan 62 percent, India 48 percent and Laos 43 percent. The consequences of pervasive illiteracy to a country's capacity to move up from a low-wage, low-skilled economy to value-added activities are obvious. A second category consists of countries which have experienced high growth rates during the last decade and have high literacy rates, but with low levels of secondary education constraining their ability to move beyond low technology and basic service activities. In some of these countries, a very high percentage of workers have had only a primary education and/or a minuscule percentage of them have undergone vocational training in any structured way. A third category consists of countries which have advanced rapidly, are paying particular attention to education and skills and are investing heavily in them, but suffer shortages of skilled and/or unskilled workers because of their rapid industrialization (Korea, Singapore, Malaysia). A fourth category may be suggested as being represented by Burma, Sri Lanka and the Philippines with high literacy and secondary school enrolment rates and good levels of tertiary

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HOLIDAYS

May 1: Maharashtra Day

May 29: Memorial Day

A WORD FROM THE CENTER

This month's report on human resource development has a threefold purpose: (1) it provides interesting information; (2) it advances a provocative argument; and (3) it showcases American cultural pluralism in the realm of ideas. Which is to say: there are some who would find its thesis completely wrong.

Should businesses become educational institutions? Should companies award degrees? Does "Fast Food University" have a place among the traditional liberal arts campuses? Is the philosophy major obsolete?

Personally, I fervently hope not. I would argue – and not just because my B.A. is in philosophy – that we ought not to train an entire generation to be narrowly responsive to a business paradigm that may be outmoded by the time the last of its members sits for exams. Instead, we should focus on general critical thinking skills that equip students to "learn how to learn," no matter how much their environments change.

A liberal education is, no doubt, a luxury. There's an excellent and elaborate quote by John Adams, second President of the U.S., which, inelegantly summarized, amounts to his assessment that he must study politics and war so that his children may study commerce and agriculture, and their children may study poetry and music. Perhaps it's indulgent to advocate poetry courses while critical IT jobs go unfilled. But perhaps an "educated unemployed" labor pool and a "blinkered technical" one aren't the only choices. As they say in the "Intro to Humanities" courses: let's discuss.



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education. But they failed to develop for reasons outside the scope of this paper, though the Philippines is at least now launched on the path to progress. In the case of Sri Lanka, even though tertiary education is available and free for everybody, the education system was less geared than it should have been to linking up with job requirements, resulting in educated unemployed people and acute social and political tensions and disruptions.

It is instructive to note that the former centrally-planned East European economies have well-educated workforces. It is estimated that their primary and secondary education systems "are nearly as good as those of industrialized countries, and far better than those of many fast-growing developing economies. Consequently, these countries have a significant advantage over some fast-developing countries in attracting higher value-added investment, absorbing new technologies, and adapting to new skills requirements through training. Some of the problems they face – such as political ones and the lack of management skills to cope in a competitive environment – are also ones faced by other countries in transition to a market economy.

Human Resource Development for Socioeconomic Development

If, in the past, planners failed to make investment in HRD a central theme of development strategies, it was due partly to the difficulty of distinguishing between what part of HRD represents an investment and what part represents consumption. While investment in human resources promotes economic growth, a country's economic capacity also determines its ability to invest in its human resources, so that

"A good educational system may be the flower of economic development, but it is also the seed."

Several circumstances, as illustrated by the following, account for HRD now occupying center stage:

- Earlier development strategies which largely neglected the social aspects of development did little to promote growth, and this resulted in political and social unrest in several countries.
- High productivity depends on the quality of human capital (and on how human resources are used) – a lesson to be learned from the developed countries. As contended by Peter Drucker, productivity is arguably the most important social event in developed countries in the past hundred years.
- Education, management and training shorten the timespan within which a country with low wage costs can achieve higher productivity, though with high productivity wages will rise.
- HRD (including easy access to education) contributes to a more equitable distribution of income. It thereby negates the necessity for compulsory redistributive measures (such as through the tax system), which usually have negative consequences.
- There has been a steady decline in the importance of other factors such as natural resources, in creating national wealth.
- Shorter product life, and the consequent need for workers to be able to absorb new skills quickly, affect education and training needs. Education has to contribute to trainability; education does not cease with school or university; methods of teaching adults have assumed importance, and employers need to invest in training and retraining.
- In mature economies, a lack of investment in education and training increases the risks of unemployment, as well as wide disparity in incomes.
- Information and advances in other technology have increased the demand for intelligent workers who can extract the most out of technology, as well as for people at higher levels to create and adapt technology to new uses.

Employers, long accustomed to leaving it to governments or to private educational institutions to determine the direction and quality of education, now have greater opportunities (and the need) to exercise influence in view of the changing needs of education flowing from globalization. From a long-term point of view, Asian employers would need to think about making some investment in education themselves. The relationship between HRD and research and development needs to be emphasized. In the U.S. for example, businesses have become significant educational institutions, accounting for about half of the country's expenditure on higher education. Since the mid-1980s, corporate spending on education has increased by five percent a year, and businesses now spend about \$50 billion a year on education and training. Consequently, the American Council on Education has extended "credits" to about 7000 company classes, which can be used towards obtaining university degrees. A few companies have even commenced awarding their own degrees, while others have established formal relations with educational institutions and have even designed academic courses so that students will be fit for employment. Estimates are that productivity gains for companies from investment in education are twice that of investment in plant and machinery; and that the gains are even greater given the impact on employee morale.

It is surprising that numerous countries throughout the world have failed to learn from the experiences of the rich economies and of the more recently industrialized countries that sustained investment in human capital is needed for competitiveness and growth. This situation is now changing with globalization, increased investment and trade, and the spread of technology. Investment in human capital is of course no guarantee of development if other relevant policies are inappropriate or are not properly implemented. But without the right kind of human capital, other policies (economic, trade and investment) will fail to deliver growth, or growth will come to a halt as soon as cheap labor and other resources cease to be critical to the next stage of development. Since the time taken

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for investment in human capital to bear fruit is, compared to other investments, relatively long, the planning period has also to be necessarily long and timely. Further, unlike most other resources, human capital does not waste or diminish in value through use; on the contrary, its value enhances.

How HR Affects Company Performance

Everyone agrees that human resources add organizational value. But pinpointing its bottom-line impact presents multiple challenges: "While many studies show a relationship between HR practices and profits, few researchers have provided insight on how this relationship works," says Patrick M. Wright of Cornell.

When Ken Carrig, Chief Administrative Officer at Sysco Corporation, a large food service corporation based in Houston, approached Wright about conducting an employee climate survey, he and his research team proposed an expanded study to assess how human resources affects company performance.

Wright and his Cornell colleagues, Tim Gardner and Lisa Moynihan, studied employees at 50 of Sysco's autonomous business units, each of which generates annual revenues of \$350 to \$700 million. Sysco maintains relatively small business units to build entrepreneurial spirit among unit presidents and provides business unit presidents with tremendous autonomy. Free to manage employees as they see fit, individual Sysco business units design, develop, and implement their own HR practices such as selection, pay, performance management, training and development.

"Sysco's management philosophy of 'earned autonomy' and structure designed to promote entrepreneurship provides a perfect venue to study how HR practices work to create a more profitable company," says Wright. "It provides a setting where many sources of extraneous variance such as size, technology, and products are controlled, while great variation exists in the topics of interest: HR practices and performance." The researchers surveyed employees, who averaged 113 per company, about their company's HR practices (whether eight specific HR practices existed for their job category: applicant interviews, promotion opportunities, formal tests before hiring, training, annual formal evaluation, performance-based pay raises, performance-based bonuses, participation in quality improvement), and their organizational commitment. In addition, Sysco provided the researchers with performance information about workers' compensation expenses, quality, shrinkage, productivity, operating expenses and profitability for the three-to-nine-month time frame after the survey data were collected.

The analysis revealed that two key factors – HR practices and organizational commitment – were significantly related to company operating performance, operating expenses and pretax profits. Their results also show that HR practices build organizational commitment – a positive work attitude and willingness to go beyond the call of duty for the good of the organization. Committed employees demonstrate greater creativity, productivity, and discretionary effort, all of which result in improved operating performance and profitability.

To conclude, it is easier to say "People are the greatest asset" than it is to put that belief into "measurable action." There is no doubt that in many industries the next major competitive edge will be to maximize human resources, and companies that learn to continuously develop human resources not only stand a greater chance to survive in today's global trade system, but will also be more profitable.

This article was compiled from information appearing on public web sites <http://www.ilo.org/public/english/dialogue/actemp/papers/1998/srshrd.htm> and <http://www.ilr.cornell.edu/Depts/Cahrs/PDFs/hrSpectrum/HRSpec02-12.pdf#search='hr%20practices%20by%20american%20company'>

NOTES FROM THE AIRC

A Select List of Books and DVDs on Human Resource Development in the AIRC Mumbai Collection

AMA Trainers' Activity Book: A Selection of the Best Learning Exercises from the World's Premiere Training Organization

Edited by **Carolyn Nilson**

AMACOM 2004 (R 658.3 AMA)

The Art of Winning Commitment: 10 Ways Leaders Can Engage Minds, Hearts, and Spirits by **Dick Richards**

AMACOM, 2004 (658.314 RIC)

Back to the Basics: Conflict Resolution and Etiquette, 2005 (21 mins)
(DVD 658.45 BAC)

Back to the Basics: Problem Solving, 2005 (18 mins)
(DVD 658.45 BAC)

Back to the Basics: Stress Management, 2005 (20 mins)
(DVD 658.45 BAC)

Back to the Basics: Professional Image, 2005 (23 mins)
(DVD 658.45 BAC)

Creating a Mentoring Culture: The Organization's Guide
by **Lois J. Zachary**

Jossey-Bass, 2005 (R 658.3124 ZAC)

Face It: Recognizing and Conquering the Hidden Fear That Drives All Conflict at Work by **Art Horn**
AMACOM, 2004 (650.13 HOR)

The Hidden Power of Social Networks: Understanding How Work Really Gets Done in Organizations
by **Rob Cross** and **Andrew Parker**

Harvard Business School Press, 2004 (658 CRO)

How to Develop Essential HR Policies and Procedures
by **John H. McConnell**

AMACOM, 2005 (658.301 MCC)

The HR Answer Book: An Indispensable Guide for Managers and Human Resources Professionals by **Shawn Smith** and **Rebecca Mazin**
AMACOM, 2004 (658.3 SMI)

Human Resource Management

by **Lloyd L. Byars** and **Leslie W. Rue**
McGraw-Hill/Irwin, 2006 (R 658.3 BYA)

Into the Unknown: Leadership Lessons from Lewis and Clark's Daring Westward Expedition by **Jack Uldrich**
AMACOM, 2004 (658.4092 ULD)

Organizational Behavior and Management in Law Enforcement
by **Harry W. More** et al
Pearson Prentice Hall, 2006 (363.2068 ORG)

Performance Through Learning: Knowledge Management in Practice
by **Carol Gorelick**, **Nick Milton** and **Kurt April**
Elsevier Butterworth-Heinemann, 2004 (658.4038 GOR)

Seeing is Believing: How the New Art of Visual Management Can Boost Performance Throughout Your Organization
by **Stewart Liff** and **Pamela A. Posey**
AMACOM, 2004 (658.45 LIF)

Tell Me How I'm Doing: A Fable About the Importance of Giving Feedback
by **Richard L. Williams**
AMACOM, 2005 (658.314 WIL)

The Trainer's Tool Kit

by **Cyril Charney**, **Kathy Conway** and **Cy Charney**
AMACOM, 2005 (658.3124 CHA)

NOTE: The call numbers for each item are in parentheses. An 'R' prefixed to the call number indicates that the book does not circulate outside the AIRC.